



General Assembly

January Session, 2001

Raised Bill No. 6933

LCO No. 4359

Referred to Committee on Appropriations

Introduced by:
(APP)

AN ACT CONCERNING THE PURCHASE OF ADDITIONAL CREDITED SERVICE IN THE TEACHERS' RETIREMENT SYSTEM, THE EXCESS EARNINGS ACCOUNT AND THE EARLY RETIREMENT INCENTIVE PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 10-183e of the general statutes is
2 repealed and the following is substituted in lieu thereof:

3 (c) Additional credited service must be purchased by a member (1)
4 [at] prior to the time of retirement, [or] (2) at the time a surviving
5 spouse elects benefits under the provisions of subsection (d) of section
6 10-183h, or (3) at the time benefits commence [under an optional
7 payment form pursuant to section 10-183j. Any purchase of service
8 shall be accomplished by the member paying to the board an amount
9 equal to one-half of the actuarial present value, determined according
10 to actuarial tables adopted by the board, of the difference between the
11 retirement benefit which the member is entitled to receive based upon
12 his or her service apart from such purchased service and the benefit
13 which he or she is entitled to receive including such service] as
14 provided under sections 10-183g, as amended by this act, and 10-183jj,

15 as amended by this act. Any purchase of such service shall be
16 accomplished by the member paying to the board an amount
17 determined on the basis of actuarial factors adopted by the board
18 which reflect the present value of one-half of the full actuarial cost of
19 the benefit increase that will be derived by the purchase of such
20 service. Such factors shall consider the member's age at the time of
21 purchase, actual or projected salary, and the earliest date on which the
22 member would be eligible for a normal retirement allowance.
23 Payments for additional credited service may be made in a lump sum
24 by transfer of funds from the member's accumulated one per cent
25 contributions withheld prior to July 1, 1989, with credited interest and
26 accumulated voluntary contributions with credited interest plus such
27 other amounts as may be required to complete the purchase.

28 Sec. 2. Subsection (m) of section 10-183g of the general statutes is
29 repealed and the following is substituted in lieu thereof:

30 (m) If the plan actuaries have certified in accordance with
31 subsection (n) of this section that the amount of the [excess earnings
32 account] cost of living adjustment reserve account which is available
33 for payment of a cost of living allowance is insufficient to fund the full
34 amount determined under subsection (l) of this section, each person
35 eligible for an annual cost of living allowance under said subsection (l)
36 shall be eligible for a cost of living allowance reduced proportionately
37 to a percentage that is actuarially supported by the amount so
38 certified, in lieu of the cost of living allowance provided under said
39 subsection (l), provided no cost of living allowance shall exceed six per
40 cent and provided further, if the total return earned by the trustees on
41 the market value of the pension assets for the preceding fiscal year is
42 less than eight and one-half per cent, any cost of living allowance
43 granted shall not exceed one and one-half per cent.

44 Sec. 3. Subsection (n) of section 10-183g of the general statutes is
45 repealed and the following is substituted in lieu thereof:

46 (n) To administer cost of living allowances provided under

47 subsections (l) and (m) of this section, there is established the [excess
48 earnings account] cost of living adjustment reserve account which shall
49 be a separate account established within the Teachers' Retirement
50 Fund. For the calendar year commencing January 1, 1995, and each
51 subsequent calendar year, the [excess earnings account] cost of living
52 adjustment reserve account shall be credited by an amount equal to
53 that portion of the total return earned by the trustees on the market
54 value of the pension assets for the preceding fiscal year which is a total
55 return in excess of eleven and one-half per cent. The [excess earnings
56 account] cost of living adjustment reserve account shall be reduced
57 each year by the actuarial value of any cost of living allowance
58 awarded. On May first, annually, the plan actuaries shall determine
59 how much of the [excess earnings account] cost of living adjustment
60 reserve account balance is available for payment of a cost of living
61 adjustment determined in accordance with the provisions of this
62 section and shall certify their determination to the trustees of the
63 Teachers' Retirement Fund. If the plan actuaries determine that there
64 are no funds available in the [excess earnings account] cost of living
65 adjustment reserve account for the payment of a cost of living
66 allowance, no cost of living allowance shall be paid.

67 Sec. 4. Subsection (e) of section 10-183jj of the general statutes is
68 repealed and the following is substituted in lieu thereof:

69 (e) For each year of additional credited service purchased pursuant
70 to this section, the local or regional board of education shall pay an
71 amount specified by the Teachers' Retirement Board equal to the
72 actuarial present value, determined according to actuarial tables
73 adopted by the Teachers' Retirement Board, of the difference between
74 the retirement benefit which the member is entitled to receive based
75 upon [his or her] the member's service apart from such purchased
76 service and the benefit which [he or she] the member is entitled to
77 receive including such service. Payments shall be made in accordance
78 with rules adopted by the Teachers' Retirement Board. Such payments
79 must be received not later than thirty days following the date payment

80 is requested or interest shall be assessed from the date on which such
81 payment was due to the date on which such payment was received.
82 When a board of education purchases additional credited service for a
83 member pursuant to this section, the Teachers' Retirement Board shall
84 notify the member in writing. Payment for additional service credit
85 purchased pursuant to this section may be made in equal annual
86 installment payments, including interest, not to exceed the number of
87 years being purchased by the local or regional board of education. Late
88 payments and outstanding obligations from a prior year's purchase or
89 late payment of monthly mandatory contributions shall be paid in full
90 prior to the initiation of a new early retirement incentive plan or such
91 amounts shall be included as part of the cost of the new early
92 retirement incentive plan. Interest shall be assessed on installment
93 payments and late payments as provided by subsection (b) of section
94 10-183. Any additional credited service purchased for any such
95 member shall be in addition to any credited service purchased
96 pursuant to section 10-183e.

97 Sec. 5. This act shall take effect July 1, 2001.

Statement of Purpose:

To change the time for the purchase of additional credited service, to rename the excess earnings account as the cost of living adjustment reserve account and to establish payment dates and interest charges for additional credited service purchased on behalf of a member by a local or regional board of education. Requested by the Teachers' Retirement Board.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]